

# TRANSCRIPT

## LEGISLATIVE COUNCIL ECONOMY AND INFRASTRUCTURE COMMITTEE

### Inquiry into Local Government Funding and Services

Traralgon – Wednesday 4 September 2024

#### MEMBERS

Georgie Purcell – Chair

David Davis – Deputy Chair

John Berger

Katherine Copsey

Moira Deeming

Bev McArthur

Tom McIntosh

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Sonja Terpstra

#### PARTICIPATING MEMBERS

Gaelle Broad

Georgie Crozier

David Ettershank

Michael Galea

Renee Heath

Sarah Mansfield

Rachel Payne

Richard Welch

## WITNESSES

Greg Box, Chief Executive Officer, and

David Filmlalter, Chief Financial Officer, Bass Coast Shire Council.

**The ACTING CHAIR (Evan Mulholland):** I declare open the Legislative Council Economy and Infrastructure Committee's public hearing for the Inquiry into Local Government Funding and Services. Please ensure that mobile phones have now been switched to silent and that the background noise is minimised.

Welcome, Greg Box from Bass Coast Shire Council. I will just get you to start by stating your names followed by a 5- to 10-minute introduction.

**Greg BOX:** Greg Box, Chief Executive Officer, Bass Coast, and David Filmlalter, who is the Chief Financial Officer of Bass Coast. Thanks for the opportunity. I will acknowledge we are on the traditional lands of Gunnai/Kurnai and pay my respects to elders past, present and emerging.

Bass Coast Shire is a large rural shire with urban boundaries just outside Melbourne. We are a part of those peri-urban shires which have those complex characteristics that peri-urban can where people are coming to live and embed themselves in existing communities, and the growing pains that come with that are certainly things that we experience. We are currently one of the fastest growing shires, and we have got a population of 43,000, which is going to go up 14 per cent or so by 2036. So again, the sense of those growing pains in a regional context is something that we are experiencing at the moment. We have got a diverse economy around tourism, agriculture and hospitality in particular.

It is a fantastic place to live, Bass Coast. It houses the grand prix and events like that. Those little penguins waddle up the beach every night, and thousands, if not hundreds of thousands, of people from around the world come to this part of the world to see that on a regular basis. But that does bring with it challenges, and we experience those challenges financially that many other councils do probably across Australia but certainly in a rural and regional context. We have low populations, effectively, large service areas and less capability in terms of raising finance to be able to service many of the things that we need to service.

People will say, 'Cut the cloth to fit.' We have a budget of \$103 million at Bass Coast in operating and capital. The capital is \$25 million. Just to make a little observation and to give you some context around that, Carey grammar has an expenditure budget of \$113 million this year – so a good budget to educate your children. But as far as being able to run a council that has 1000 kilometres of local road and 400 buildings that it is managing and that has got 200 kilometres of coastline, much of it facing the Southern Ocean – a shout-out to our teams this morning who are shifting sand there to put it back in front of the Inverloch Surf Life Saving Club – we have got enormous assets right across the board that we are trying to service and manage. Our capability around that in terms of finance is reducing over time.

We have done significant modelling, particularly around our roads – 10 per cent, for example, of our road network is in a very poor condition. That is actually considered to be a very good position, and it is a good position around the state – we are one of the best. But we know that if the rate capping sits where it is right at the moment and how we have modelled our finances over time, we will need to be able to find another \$1.6 million per annum just to be able to keep it in that condition. If we do not, of course we are robbing Peter to pay Paul, so our assets are going to deteriorate and that very poor component is going to increase fairly dramatically over the next few years.

In terms of rate capping, I suppose at 2.75 per cent anyone who has not been under a rock can work out that that is perhaps not inflation. For us, we do not buy too much milk, too many of those baskets of goods. We do buy a lot of concrete, a lot of electricity – a lot of the things that are actually escalating at costs that are way over that. We are finding a widening gap ultimately, and I guess that is one of the messages that we want to send today. Cost shifting is another thing that I do not think is done necessarily in a really deliberative manner. I think cost shifting is something where departments are trying to work out how to provide their services within the state in a more financially responsible way and so essentially are talking to local government about things like school crossing supervisors. Immunisation stuff is costing more. You have got the VEC, for example, providing even greater costs around elections et cetera. All of these things are coming back to local government to be able to

manage. And then there is land management in that. So if you think about things like Crown land and committees of management et cetera, we have lots of conversations with DEECA around how it is that we will or cannot manage the land that is under DEECA's control. So there is a lot of pressure there constantly for us to take over many of those areas, and our pushback in that is to say we simply just cannot do it under the finances that we are operating with.

We have got a growing community, but we really do not necessarily have a growing organisation to meet that demand. So to be able to fit ourselves inside that we have to sweat assets and we have to be able to reduce our staff and numbers to be able to fit within our budget consistently. That is a pretty healthy thing. I mean, one wants to create efficiencies all the time. Our feeling is at the moment that over the last three years, with the rate cap being effectively well under what is inflation, we are seeing a widening gap. And many of those things we could have funded, for example, over a 10-year period, which we come to the state seeking capital grants for, if we had been able to sustain our own finances appropriately, we would have been able to pay for them. Ultimately the messaging we are wanting to send is that we would like to look after ourselves as local government, I guess, and not feel the need to go cap in hand to other tiers of government. We would like to work in partnership with them around that.

There are a couple of things that I would probably leave you with. Commonwealth Grants Commission – we think that at the federal level the Australian Local Government Association has called for a 1 per cent Commonwealth taxation revenue to be made available through the grants commission to local government. We would support that. I think probably the state would support that too in the sense that the Commonwealth could take a greater share in this partnership. That would be going back to probably the 70s and 80s, where it was originally. In 2011 that figure was around 0.76 per cent; it is now at 0.5 per cent of Commonwealth taxation. It is going down effectively, their share of taxation revenue that is coming through to local government. And as a consequence of rate capping and that, what is happening is that local government has now only increased over the last few years 16 per cent of its expenditure, and what we are finding is that the federal government is, I think, at 34 per cent and the state government is 31 per cent. So local government effectively is stepping backwards in this.

We think there should be a genuine look at rate capping. We accept the fact that there is a rate cap – nobody wants to pay more taxes; it is not a thing – but there is some sort of equitable position. Rural councils particularly have an issue in there. Also the possibility of looking at what the cap is, not so much whether there is a cap or not, and really making that consideration of local government's particular needs within that that are different than just CPI – CPI is a pretty blunt instrument in there. We would not necessarily recommend a particular way to that, but we would say for the state to take a look and be able to think about some of the nuance in that, and there is a lot of information out there about the possibilities of that.

Waste guidelines is the other one. Effectively, waste guidelines at the moment will see us needing to find another \$1.2 million, for example, if we are not able to shift that across and have an extension to the cap. So that one is still out there, and there is conversation around whether and what will fit into that moving into the next couple of years. And a whole-of-government understanding around cost shifting – cost shifting is something where I think more dialogue between us and other tiers of government about what it is that people are responsible for, what tiers of government are responsible for what, is going to help that.

And really in the end allow and support local government to drive its own destiny, I guess. To support the Commonwealth and state is a good thing for the country and it is a great thing for Victoria and certainly regional Victoria. Thank you.

**The DEPUTY CHAIR:** All right, Greg. Thank you for your contribution. David Davis, Deputy Chair, just stepping in for the Chair, who will be a little later today. I had a couple of issues that I wanted to just start off with quickly. I am conscious that we have got Sarah and Sonja at least on Zoom or Teams. The first is the length of local roads. You have got 924 kilometres of local roads. I am just interested to know – and you may not be able to give me these figures now – about state funding for local roads and federal funding that has come through as roads money. I would like a time series on that, if that is possible.

**Greg BOX:** It is \$1.6 million in terms of grants from Commonwealth for roads, which comes out of the commission.

**The DEPUTY CHAIR:** That was last year?

**Greg BOX:** That is proposed for this year.

**The DEPUTY CHAIR:** This year.

**Greg BOX:** And we would expect that to move around inflation over the next few years. That is what we have factored into long-term financial planning. State-wise, David – I do not know whether David can answer that question.

**The DEPUTY CHAIR:** You may not be able to answer it now, but I would be interested in a four- or five-year time series – maybe even longer if you could do that – on both federal and state road and related money.

**David FILMALTER:** I will have to take it on notice – a time series.

**The DEPUTY CHAIR:** That would be helpful. You do not think there is any state money, though?

**David FILMALTER:** It does not appear evident, looking at my financial statements, that we got any money from the state for local roads.

**The DEPUTY CHAIR:** So you think that is zero?

**David FILMALTER:** It seems to be all Commonwealth funding through the Roads to Recovery.

**Greg BOX:** The state looks after its own roads within our municipality.

**The DEPUTY CHAIR:** Correct.

**Greg BOX:** Just on that, we have 600 kilometres of unsealed roads, and we have 100 kilometres of unsealed roads in urban environments. When I talked about peri-urban a minute ago, we will start to see huge pressure –

**The DEPUTY CHAIR:** How many kilometres in metro areas?

**Greg BOX:** That is right. There are 600 kilometres in total, and then 100 kilometres of those are in what we call urban areas – so yes, metro and around more semi-suburban environments – and there are a lot of challenges there, which I am sure you are aware of, around trying to reseal.

**The DEPUTY CHAIR:** That would be helpful for us. The other question I wanted to ask is around that waste money. You are saying \$1.2 million is outstanding. That is not on the waste levy on the bottom of the bill – that is what you are saying. How is that to be denominated?

**Greg BOX:** It is not new money necessarily. Currently it sits as a waste charge over here, and then there is a rate cap that deals with everything else.

**The DEPUTY CHAIR:** Which deals with your rates, but that waste charge is applied by the state government.

**Greg BOX:** No. That is applied by us, but effectively at the moment the guidelines are suggesting that there are elements inside that charge that we are not able to charge, for example, moving forward. So we still have to do it; we still have to clean up amenity in local areas. We have a whole tourism thing that goes on and our need to be able to service that. We currently put that under the waste service charge and our landfill and everything else that is in there. The guidelines are suggesting that some of those things will need to move under general rates.

**The DEPUTY CHAIR:** This would actually be tipping fees and so forth that are actually in those.

**Greg BOX:** Yes. They will have to fit under the rate cap – 2.75 per cent at the moment – so basically it is just going to add a figure to that, and it will not necessarily enormously reduce the figure in the waste charge. There are still some challenges there to work out with the state about what that looks like.

**Bev McARTHUR:** Are you saying there is a \$1.2 million loss on your bottom line?

**Greg BOX:** Not necessarily. The problem is that we cannot get it underneath the rate cap. We need to on-charge that, effectively. We will not be allowed to on-charge it under the regulations.

**The DEPUTY CHAIR:** Let me understand this – and I will stop and hand over to someone else when I have got to the end of this. The question here is: what is in that component? You are saying there are things like beach clean-up or removing stuff from parks and so forth – the collection costs of that as opposed to the actual tipping costs. Is that the kind of line that I should be drawing?

**Greg BOX:** That is right. There is a whole lot of stuff in there that we do in relation to waste, and some components of it, as indicated in the waste guidelines, cannot be in the waste charge.

**The DEPUTY CHAIR:** And some can.

**Greg BOX:** Yes, that is right. It is trying to standardise it across Victoria, so I kind of respect that in the sense that it is not different for all councils everywhere.

**The DEPUTY CHAIR:** Is there correspondence on that?

**Greg BOX:** Yes, there is. There are waste guidelines out there that –

**The DEPUTY CHAIR:** We would love to understand exactly what is going on there, because that is obviously a critical thing not just for you but more broadly.

**Greg BOX:** For 79 councils in Victoria effectively that is a problem.

**The DEPUTY CHAIR:** We would love a copy of what you are facing as a peri-urban council with that. That would be helpful.

**Greg BOX:** Absolutely.

**The DEPUTY CHAIR:** Thank you. Maybe we should go up to Sonja. Do you want to come online?

**Sonja TERPSTRA:** Sure. Thanks, Deputy Chair. Good morning, everyone. I just want to thank you for your contribution this morning. I just want to ask: perhaps you could outline for the committee what sort of impacts the council is feeling in regard to climate change at the moment and how you are grappling with that and what sorts of issues you are facing in regard to managing the impacts of climate change.

**Greg BOX:** I mean, they are significant for a place like Bass Coast – and immediate; we have seen it overnight. Ultimately coastal inundation is one of the main ones that we see. We see that whole townships effectively from Inverloch along the cape there are experiencing right now that form of inundation, and the costs associated with that will be huge. Even in relation to our roads and managing them, the events that continue to occur have increased the costs of managing those assets. All of our assets and all the assets that I mentioned before will be impacted by climate change. We have done some really terrific modelling around that, and again, whilst we have not got a figure of what that is going to cost necessarily embedded within our budget, we know that we are already going to get an uptick in things like, as I mentioned before, our roads and what they will cost to maintain. So the added component of climate change impact is expected to exponentially increase that too.

**Sonja TERPSTRA:** Great. Thanks, Deputy Chair. No further questions.

**Tom McINTOSH:** Thanks, Deputy Chair. You talked before about the growing communities – I think you said 14 per cent, so I guess that is 6000 extra head of population or something coming in.

**Greg BOX:** That is right.

**Tom McINTOSH:** There are a couple of points I want to touch on. You talked about the number of buildings you have to manage. I have lost that somewhere in my notes, sorry.

**Greg BOX:** It is 410.

**Tom McINTOSH:** 410, yes. Thank you. As far as that growing population and that infrastructure you have got, how do you perceive that infrastructure meeting that need? I know some councils have surplus infrastructure they are trying to manage, or not enough, and then ageing infrastructure. How do you see that age and that capacity?

**Greg BOX:** We have certainly got ageing infrastructure, and I am not sure we would be unique there. We are also managing that. We do not have a surplus at all, so one of the things that we will have, even when I mention that, is new assets coming on board – we have just brought massive new assets in Cowes with Berninnet. We built a \$30 million cultural centre in that space. So we have got new assets to service that population effectively. The renewal of those assets is absolutely critical. When we have communities merging into existing communities it is more about that sense of renewal. We have a very poor aquatics environment, for example, that is a challenge for us over the next decade. So we certainly have challenges around managing those buildings, but they are really only one component of the asset classes. We have 23,000 drainage pits and we have got 570 kilometres of stormwater running underneath. The things that go on under the roads and the like are just as important as the buildings that pop up over the top of them in how they service communities. Things like drainage are really expensive to service communities and new communities in these spaces. So these are the future challenges. We are I think in a better space than ever about understanding what they are. That is one of the things that is pretty new I think; our sense of understanding what those populations will do and the impact that they will have on those assets has got more and more sophisticated.

**Tom McINTOSH:** And as for your workforce in a time of high demand or competition for workers, how are you finding that and how do you see that going in the future for you as an organisation?

**Greg BOX:** We would like to think we are a very good organisation. We have attracted some really capable people. But again, we do look at it in an overall budget context, and to be able to keep our costs down we have to drive some of those things pretty hard. We certainly did around our enterprise bargaining agreement last time. But we are starting to see in a sense that we are moving backwards in relation to, for example, Melbourne councils at times with what we are paying people, so ultimately we will, if we are not careful, begin to lose good people. That is not a thing that we want to do. You have got that choice about either driving down wages or having fewer people with more capability, and you have got to find the sweet spot in councils like ours to do that.

**Tom McINTOSH:** Okay. Thanks.

**The DEPUTY CHAIR:** Sarah.

**Sarah MANSFIELD:** Thank you. Thank you for appearing today. I am interested in the issue of grants. This is something that has come up for a number of councils. Are you able to indicate what proportion of your revenue currently comes from grants?

**Greg BOX:** I can from the grants commission. I see we had a \$103 million budget. Effectively we have \$6.8 million, I think, from Commonwealth grants in the general purpose grants and around \$1.9 million for roads in that. Sporadically we receive, of course, other grants around capital. We have in recent terms worked really closely with the state. We have had \$16 million invested into marine infrastructure on Phillip Island and surrounds, and we have done the work around that. That varies, I guess, from year to year. Those more constant ones around Commonwealth, which are untied grants, of course really work very well for councils to be able to deal with what it is that we need to deal with with that money. I guess it represents around 8 or 9 per cent in terms of those Commonwealth grants operating in that way.

**Sarah MANSFIELD:** Okay. Are there any state government grants for anything that you can speak to?

**Greg BOX:** Yes. As I said that marine infrastructure is state government funding, and we effectively receive amounts from the state, whether it is \$400,000 in assistance to be able to reshape a building and us partnering in that. I guess that is pretty consistent with other communities. I do not have all those figures in front of me.

**Sarah MANSFIELD:** No, that is okay.

**Greg BOX:** Do you have that, David? David might have that.

**David FILMALTER:** Yes. Thanks. We have received just over \$10 million in state-funded grants over the last financial year – and probably a lot of those were tied to those marine projects – and \$7.7 million in the previous year. So a big driver has been capital grants that we get from state government.

**Sarah MANSFIELD:** Yes. An issue for a number of other councils has been that they have to spend a lot of time and resources applying for grants and then often find that the grants that are tied then create a whole lot of additional administrative work for councils. Is that an issue that you have faced?

**Greg BOX:** I think it is an issue for anyone down the system who is trying to apply for money back up. You know, the resources that go into that are considerable. It is obviously easier for us in terms of Commonwealth grants to have that money received the way that we receive it; there is definitely an efficiency there for us.

**Sarah MANSFIELD:** Yes, okay. With respect to the asset renewal, this is another issue that I think a number of councils are grappling with, in that they are really facing a growing asset renewal gap and challenges keeping up with that. Is that something that your council has experienced?

**Greg BOX:** Yes. As I said about roads, it is the perfect example of it. We are 10 per cent in a very poor position in relation to roads, and again that is considered to be a good position to be in. If we do not renew, if we do not invest to keep those numbers in that zone, they will exponentially increase. We will start to see within a year that they are up at 12 per cent very poor, then they will be up at 15 per cent very poor. This is the stuff that is well below the surface that is sometimes difficult to talk to because it is one of those things: it is about the system deteriorating over time, and we will see that deteriorate in reality, I guess. We might have a lag time in it so that three years out we are starting to see more potholes on the road – you know, as a metaphor.

**Sarah MANSFIELD:** I guess further to Ms Terpstra's questions about the impact of climate change on some of those assets and the need to not only maintain them and invest in them but actually better them to ensure that they can withstand some of those impacts of climate change, is that something that you feel you have been in a position to be able to do?

**Greg BOX:** We have been able to manage some of that. Again, whilst we are a large rural council, in terms of the size of that budget, there are just massive limitations to it, to being able to do it. We know that we are in a crunch. We have been even meeting more recently around our asset management plan – the larger asset management plan, and there are five classes in there – and talking through how council will prioritise in that. It will have to make decisions over the next couple of years, and of course some of those will be quite difficult decisions for it to make.

**Sarah MANSFIELD:** In what way? What sorts of things are you going to have to consider in that decision-making?

**Greg BOX:** Mr McIntosh asked a question around buildings. For example, we will really have to work out whether some of those buildings are in maximum use or whether they are not in maximum use. Sometimes there can be all sorts of community buildings that are in some use, but we are going to have to start to concentrate those things and pool them together just to be able to fund their upkeep and their renewal, as you say, and make them service their communities as best they can.

**Sarah MANSFIELD:** Are you saying that potentially you have to consider selling assets or, as you said, sort of combining the functions of assets rather than building new ones?

**Greg BOX:** We will always have to look at that sense of managing assets in that way. I am not going to say we are going to sell assets et cetera, but what we are going to do is look at how they are performing and try and help them to service those communities as best they can. If that is rationalisation or if that is converging them et cetera, then they are all things that we would look at over time.

**Sarah MANSFIELD:** Thank you.

**The DEPUTY CHAIR:** Evan.

**Evan MULHOLLAND:** Thank you, Chair. Can you explain how your financial assistance grants are administered, specifically the funds transferred from federal government to the state government which are usually then distributed to councils. We have had some reports at other hearings and from other councils that

the state government has postponed the distribution of funds until the new financial year as a sort of accounting trick, while in previous years they were received prior to 30 June.

**Greg BOX:** I might ask David. Do you want to respond to that, David?

**David FILMALTER:** Certainly. In prior years council was receiving the financial assistance grants a year in advance. This year the Commonwealth reverted to paying it in July, so it will have an impact on our financial results in the current financial year just ended. However, it is purely a timing difference. Our headline result may not look that great, but I do not think it is a significant financial issue that the funds arrived maybe two weeks later than they normally would have. We account for that –

**The DEPUTY CHAIR:** It is a one-off.

**David FILMALTER:** and we are not going to be troubled in the next financial year. We have got that money now, but it will just look bad on a headline basis when the results are reported.

**Evan MULHOLLAND:** Yes, that is disappointing. In your submission you mentioned that the council's short-stay accommodation registration charges, which were implemented to manage visitation impacts, are now at risk due to the state government's upcoming 7.5 per cent levy on short-stay accommodation providers. How does the council plan to address the potential loss of revenue from these charges, and what impact will this have on managing tourism in your shire?

**Greg BOX:** Since that submission was put in, we have actually seen the detail this week, effectively, come through, and it is a much better position for state working with councils. We know now that our local law can actually be maintained, which means we are in a much better partnership arrangement with the state. Our fear over that was really – we put in a \$300 registration fee. We are affected deeply by short-stay accommodation. There are about 2500 short-stay accommodation buildings in Bass Coast, and as a consequence we have put in a registration fee that manages that. We manage it on the ground, which is around providing a service to our community around telephone numbers and around that very localised management of it. When the state proposed originally its 7.5 per cent levy, it had indicated it was going to abolish fees and charges that local government had put in place and potentially local laws associated with it. That is not what has occurred this week, so we have been in discussion with Treasury over time and with the state in the last 6 months around that. We are very pleased that we will still be able to administer that local law and to collect that registration fee.

**Evan MULHOLLAND:** Yes. In which specific areas have either federal or state governments transferred responsibility from themselves over to councils in recent years, and how significant is the financial impact of those shifts on your budget?

**Greg BOX:** The financial impacts are kind of sporadic. They can be small amounts in lots of places so, as I said, school crossing supervisors are one where ultimately it was mainly funded by the state and effectively now is being handled by local government. It is a very hard thing for us to turn around and say, 'Look, we're not going to do school crossings.' That needs to happen.

**Bev McARTHUR:** Why?

**Greg BOX:** Because we need to keep our children safe in our communities.

**Bev McARTHUR:** Yes, the education department could do it.

**Greg BOX:** Yes, that is right. That has certainly been the pushback from our perspective. But ultimately as local government we will pick things up where we think it is absolutely critical for our communities to have it. Even recently around things like immunisation, where there was a system –

**The DEPUTY CHAIR:** You have been hit with the \$6000 charge and the \$2 a shot.

**Greg BOX:** Yes, I think ours is going to wind up at about \$12,000 or something. It will be above that effectively, and then we may well have to pass that on to people who are getting immunised. Really the whole method and process of that was very difficult. We expected that to be free and that was all of the discussion around that.



I think there are really other things around the one I mentioned before around Crown land, DEECA land, and in the regions particularly there are a lot of councillors committees of management. You will see, as I said, with 200 kilometres of coast land we are out there pushing huge amounts of sand around et cetera in parts because we are a committee of management, not necessarily owners of that land, so we are taking responsibility around that. Even things like surf lifesaving et cetera, we make a \$60,000 contribution to surf lifesaving in the area. It is not clear about how that probably should or should not be funded et cetera. Now, there can be an argument put that that is the thing we should be doing, but I do not think it is clear right across the board or consistent across Victoria about how that happens.

**The DEPUTY CHAIR:** Thank you. Bev.

**Bev McARTHUR:** Thank you, Deputy Chair. Thank you, gentlemen, for appearing. I would say at the outset that the rate cap is the only break that ratepayers have against the excesses of local government. I am all for it. Can you tell me what percentage of your rates are collected from farmers, the rural ratepayers, compared to townspeople or commercial premises?

**David FILMALTER:** Yes. Just bear with me a sec. I believe it is in the order of 5 to 10 per cent –

**Bev McARTHUR:** All right. You can take it on notice if you can come back to us on that.

**David FILMALTER:** Yes, I will take it on notice, the farm rate.

**Bev McARTHUR:** Yes, the full breakdown of your rate in the dollar as it applies to rural landholders compared to townspeople. How many rates in the dollar you have. Some councils have over 10. But anyway, if you can take that on notice.

On the whole issue of the vaccination fee, which you got very late notice about and you have applied, I have got information back from a council where they have complained. They have had it halved. Why wouldn't you say to the state government, 'Sorry, this was not part of our budget. We're not including it. You take over the service and deliver it.'

**Greg BOX:** Well, we may. I would not suggest that we are not going to do that. At the moment that is sitting outstanding. It is really the method that led into that, effectively, and it does look like a good system. As I said, we are buying in in that partnership sense with that, so it is not an easy thing to just sort of go 'No' right at the end of that. We are actually invested in it, in a way, and have been working on it to deliver it. So in terms of us saying no, I certainly think there is a greater appetite in council and with our councillors to take your point to start saying no.

**Bev McARTHUR:** Well, exactly. The same with the school crossing supervisors. It is an education department activity that should be funded by the state government. If you consistently accept cost shifting, then there is only going to be more of it coming your way unless local governments start standing up for themselves. You have mentioned this 1 per cent of revenue going to local government. Do you mean 1 per cent of the GST?

**Greg BOX:** Of taxation revenue it is. So it is effectively –

**The DEPUTY CHAIR:** Federal.

**Greg BOX:** Federal.

**Bev McARTHUR:** Yes, federal. So would you do away with property taxes in exchange for getting a set percentage of tax revenue?

**Greg BOX:** No. At the moment it is 0.57 per cent, so it would still only translate – only – to about \$5 million more, for example, in our budget. That would be a particularly good \$5 million for us to have in our budget.

**Bev McARTHUR:** Would you prefer a set percentage of, say, the GST coming to local government and therefore charging no rates, property taxes?

**Greg BOX:** No. I do not think that is where – that is not a position we have.

**Bev McARTHUR:** Okay. You also referred to defining the roles and responsibilities of the three tiers of government. So should local government stick to roads, footpaths and public place management and get out of other areas?

**The DEPUTY CHAIR:** Rubbish.

**Bev McARTHUR:** Some local governments are involved in all sorts of international affairs and social engineering.

**Greg BOX:** Yes, some are. We would argue that the overwhelming majority of our time, energy and resources is spent probably on what people would traditionally call the three Rs. I do not think anyone would now in a contemporary society take out recreation ovals, sporting facilities or cultural facilities that are servicing our community. I think we can walk and chew gum at the same time. I think there is a capacity to have a view on certain things, but we do not spend enormous resources in those spaces. When it comes to defining that, I am probably more talking about what tiers of government manage and do not manage, which helps with the discussion around cost shifting so that there is clarity around that.

**Bev McARTHUR:** Do you run a library?

**Greg BOX:** We are partnered in a library service, Myli services, so yes, by extension we do.

**Bev McARTHUR:** Will you be accepting the money from the state government to roll out the program to have five-year-olds decide what their pronoun is?

**Greg BOX:** We will work with the state on anything the state wants to put forward.

**Bev McARTHUR:** So you would take their money and provide that initiative?

**Greg BOX:** I am not sure where we are at with that. I probably cannot answer that. We would certainly work with the state around grant funding for stuff that is consistent with our strategic priorities.

**Bev McARTHUR:** Just on the local roads issue and the roadside vegetation issue. Are you in trouble trying to maintain your roadside vegetation given all the bureaucratic requirements around it?

**Greg BOX:** It is always a challenge. We just talked about the length of that network, and in regional communities particularly that is a consistent and serious challenge. We receive some funding around that but also make our own contribution to that, and our team is out there. So it is a challenge, yes.

**Bev McARTHUR:** Do you see your roadsides as safe places or biodiversity zones and wildlife corridors?

**Greg BOX:** All of those things. They do perform that function at times.

**Bev McARTHUR:** Isn't there a conflict?

**Tom McINTOSH:** Sorry, Deputy Chair. I am just having look at the terms of reference. I am just hoping that we are staying within items regarding fiscal revenue structure – 'existing revenue structure', these sorts of things – rather than –

**The DEPUTY CHAIR:** I think what the revenue funds is part of it too, but yes, I think Mrs McArthur has almost completed –

**Bev McARTHUR:** It is quite a cost to maintain the roadsides, but if you also have to comply with that scenario it makes it difficult to maintain the roadsides.

**Greg BOX:** Yes, it does.

**The DEPUTY CHAIR:** Gaelle.

**Gaelle BROAD:** Thank you very much for your contribution today. I am just interested – I was here yesterday with the other inquiry, the climate inquiry that we are looking at. You mentioned Inverloch. Just thinking about the impact of disasters, the Inverloch lifesaving club mentioned the need for a rock wall, and I

guess that is a cost. Do you have any thoughts on the leadership in that space – you know, who will take the lead on that – and how something like that would be funded?

**Greg BOX:** Our consistent position is that there is a lot of coastline in Australia. This is at some level a federal issue. There is a lot of coastline in Victoria. This is a state issue as well. We think, around the settings around inundation, we would still like to see the state be very clear certainly in our planning context for that. But as far as actually managing it, around walls et cetera, it would be almost impossible for us to do it. Given the scale of it, it is a state and federal issue and ours – it is a three-way issue. The implementation of walls, or whether you do them or do not do them, is another whole question in there about whether that will actually do what it is proposing. When people are suggesting walls, of course that has an impact on wave motion and the beach et cetera. There is a little bit of technical stuff in there; it is not a straightforward exercise to do walls. But managing the situation – absolutely, it should be all three tiers, effectively.

**Gaëlle BROAD:** Okay. So your thoughts are that perhaps the state should be leading on that project. Do you have any estimate of the cost of the project?

**Greg BOX:** I do not have an estimate of the cost of that project. At the moment there is some work being done certainly by the state around the cape-to-cape resilience project in that area, and there is some money allocated by the federal government to that as it stands, but where the implementation of that is in relation to the state and who is going to fund that are yet to be decided.

**Gaëlle BROAD:** I heard that the report indicated works would commence in about 2040. Given what has happened in the last week, action is needed now.

**Greg BOX:** That is right.

**Gaëlle BROAD:** It just goes to some of the pressures that you are facing as local councils and the need for state leadership in that. I am just interested: you mentioned a number of potential actions for this inquiry, and we are looking for recommendations, but what would you see as the most significant change that needs to happen that would help the sustainability of local councils?

**Greg BOX:** Working within the rate cap – that is the one that allows councils to not run at excess but to be able to manage that more appropriately than they currently can. It is a blunt instrument as it is. There really needs to be some nuance, I think, around rural and regional councils to be able to shift within that, and also when it comes to rate capping really looking at that cap. I mean, for three years it has been underneath inflation: 2.75 per cent cannot possibly be what anybody's view of inflation is. It is sitting under that, and I think even that alone just says, 'Can it genuinely get to that kind of place?' Certainly we want to protect ratepayers. That is not a thing where we are saying they should not be out there in 7 per cent, 8 per cent style of stuff. That is not what we are seeking. But it is seeking something reasonable that allows us to be able to provide the services that we need to for our community.

**Gaëlle BROAD:** Okay. I note in your submission you talked about applying for an increase in the financial assistance grants through following a submission with the Victorian local government commission in 2020. Can you just explain a bit of that process and how it occurred?

**Greg BOX:** Yes. That was a hearing to try and understand, again, the issues for councils that were particular. So at the time the submission was made – we as a place see 100,000 tourists in the summer and have 3 million visitors a year; it is a particular characteristic that makes it have a higher cost around those times. That was some of the submission that was made to the Victorian grants commission. There was some acceptance in that and there were some shifts made around it. That is an example of where there has been a shift that has been of benefit to councils like Bass Coast.

**Gaëlle BROAD:** Okay. Do you know financially what the benefit was?

**Greg BOX:** Do you know what the average growth from that was, David?

**David FILMALTER:** It was in excess of \$1 million – about \$1.5 million in additional grants.

**Gaëlle BROAD:** Okay. I note too in your submission that you talked about outsourcing IT and environmental services. Can you just explain: has it been effective and successful? What does that look like?

**Greg BOX:** For us, we outsource. I mean, that has been a thing generally. That is one of the things that we need to do to be able to at times manage our finances but also deliver the best service. In terms of technology and environmental services, we partner with Landcare and we partner with other parties locally quite strongly – not small grants – to be able to deliver some of those services. Some of those are around the removal of roadside vegetation and managing those things as well. Our technology: we are a kind of leader in the space, around Tech One and picking that up. We have outsourced a fair bit of the services in relation to that. We have not quite gone into joint services yet, which we think is one of those other things that is a possible consideration. That is a consideration for local government of course, to be able to have joint services between councils.

**Gaëlle BROAD:** I am just interested if you could talk about road funding. Do you believe the state government is doing enough to provide funding to support local councils with roads?

**Greg BOX:** We would like more. As I mentioned before, I think for us to just simply be able to maintain our assets appropriately over time we will need to invest more, and we would like the state to play a role in that.

**Gaëlle BROAD:** And I am just interested too, because I expect you would have a number of large renewable energy projects in your area: with other council areas we have seen wind and solar developments have had massive discounts on their fire services property levy. I think in Mildura farm rates increased by 50 per cent over five years, whereas rates on solar developments only increased by 20 per cent for the same period. What is your experience, and do you feel that farmers are perhaps carrying the burden for some of these larger projects like solar and wind?

**Greg BOX:** I do not know the numbers around that one. I would have to get back to you.

**Gaëlle BROAD:** If you could provide that over a five-year timeframe.

**The DEPUTY CHAIR:** Because you have got some wind on the south coast.

**Greg BOX:** That is right, there is some there, and we buy into solar as a council. We buy into renewable energy as a council as well.

**Gaëlle BROAD:** That would be great. Thank you.

**The DEPUTY CHAIR:** More questions – Sarah, have you got further questions? No. Sonja?

**Sonja TERPSTRA:** No, thanks, Deputy Chair.

**The DEPUTY CHAIR:** No. Tom?

**Tom McINTOSH:** No, I will pass.

**The DEPUTY CHAIR:** Evan?

**Evan MULHOLLAND:** Not really, no.

**The DEPUTY CHAIR:** Bev?

**Bev McARTHUR:** You go first.

**The DEPUTY CHAIR:** Well, my question would pick up some of those exact points that Ms Broad just started to question about, around what energy purchasing you are doing. Is there a commitment to purchasing renewable or low-emission energy? If so, what is the cost of that, and is there a premium that you have to pay?

**Greg BOX:** I will probably take the questions of cost on notice, but we do, and we do that collectively with a number of councils. Our aim is still net zero as a council by 2030, and we are on target to be able to do that. There are a number of other renewable projects that have happened around batteries as well in places like Phillip Island, and Totally Renewable Phillip Island has driven that.

**The DEPUTY CHAIR:** And are you part of that? How does that work? You purchase the energy, do you, or something like that?

**Greg BOX:** We do for council and for council buildings. We have solar on the rooftop and the like that goes on on our own buildings et cetera, but that does not provide all the power to council, obviously, so we buy into, effectively, a collective scheme.

**The DEPUTY CHAIR:** So what is the cost of that? I would certainly be interested. You may not be able to do it now.

**Greg BOX:** No, we would have to take that on notice.

**The DEPUTY CHAIR:** And is there a premium, an additional cost, to buying energy that is low-emission?

**Greg BOX:** We will answer that – I cannot answer that directly, but I will definitely answer.

**The DEPUTY CHAIR:** That would be helpful. Beverley.

**Bev McARTHUR:** Do you have your own waste disposal area? What is its life span?

**Greg BOX:** We have got a number of landfills in separate stages. We have got some that are closed, and we have to manage those. We will have a \$7 million or \$8 million figure around capping Wonthaggi, even though that is closed. We have still got legacy figures of funding that we will need to pay. At Grantville we have got an open system. I cannot remember the amount of years left in it. It has got quite a bit left. Do you know the years left in –

**David FILMALTER:** Yes, we are busy building another. We have got at least another 10 years.

**Greg BOX:** Ten years in Grantville.

**Bev McARTHUR:** So have you worked with other councils, or have you thought about doing waste to energy on a broader scale?

**Greg BOX:** We had some discussion around that, but we are not fully developed in that area yet.

**Bev McARTHUR:** Because it would seem, if we are looking at zero emissions by 2030, extracting methane from the ground is probably not the way to go. So if you have got to dispose of the waste environmentally, surely it would be better to use the waste-to-energy operations that are run around the rest of the world.

**Greg BOX:** Agreed.

**Bev McARTHUR:** You said you have not gone into any mutual services activities, which I know in my area other councils are doing. Whether it be roadworks, accounting facilities or administration, they are sharing the services. How do you go with planning?

**Greg BOX:** Our planning is really good. We have maintained our statutory planners very well. In fact we have had very little turnover in that space. We are pretty comfortable in the planning space, probably unlike a lot of councils in Victoria, who are really struggling in that space. We do have joint services. We operate Kernow, who do our environmental health. That is done with Casey, and we buy into that contract effectively as a shared service. That has been a recent shift, in the last couple of years, and is very successful.

**Bev McARTHUR:** Okay. Can you just tell me what costs you have incurred by the increased administration, rules and regulations that are being applied by state government for, you know, monitoring what you are doing – regulation, compliance and so on – and the shifting of you having to report on a daily basis for many activities? How much time is that taking out of your –

**Greg BOX:** I am not sure I can give you an actual cost on that. It is significant. We think that with everything from our asset management planning to the way that we do community planning and through to the reporting, the process is really good, but we are still I guess at the behest of the state around our reporting on that and the need to do deliberative engagement on our long-term financial plan and the need to do that around our health and wellbeing plan et cetera. It is probably really difficult to be able to say the cost that could be attributed to the bureaucracy.

**Bev McARTHUR:** Is it one EFT person?

**Greg BOX:** I think it is probably more than that.

**Bev McARTHUR:** Yes. Okay.

**Greg BOX:** But we are beneficiaries of that too.

**The DEPUTY CHAIR:** Tom and Gaelle, one question each, but we have got to be quick on that.

**Tom McINTOSH:** Sure. I just want to ask: given coastal erosion, flooding, fires, hail and wind, do you see subsequent delays in action on climate change seeing increased costs? There has been discussion around it, whether it is dealing with coastal erosion or whether it is dealing with those severe weather events like we have seen in the last week. On an annual basis, that cost to you as an organisation is something that you would acknowledge and factor in, I would imagine.

**Greg BOX:** I guess it is exactly the same answer that comes around roads, which is that obviously the more you can mitigate that risk now, the more you can renew and the more you can invest in a capital sense, and if you can do that as a strategy for the longer term, then the more you are prepared for those events, for example, when they are happening. I think we are in a place where quite clearly – and we have certainly seen it in the last few days – there is need for that investment to occur. But again, in answer to a previous question, that is all three tiers of government in there trying to solve that problem actively.

**Tom McINTOSH:** Yes. I think there are comments about certain things being on or off limits for local government. Given that you would be one of the shires or councils around the state that would feel some of the biggest impacts of the issue, it is probably hard for you to sit back and not consider or not factor it into your –

**Greg BOX:** We simply cannot. We just cannot do it. I mean, our communities are living in places that we know are projected for inundation over many years, and as a consequence we have to hold that conversation. Many of our assets, for example, in Inverloch, will be affected. When I say that as a council, I mean community assets will be affected in places like Inverloch, so there is a shared need for resolution in those spaces.

**Tom McINTOSH:** Thank you.

**The DEPUTY CHAIR:** Gaelle.

**Gaelle BROAD:** Thank you. I guess we hear a lot from the state government about free kinder services, but your submission talks about cost shifting and amongst a number of things mentions kindergarten services and child care. Can you just talk to what the cost looks like for local councils and how ratepayers are flipping the bill?

**David FILMALTER:** Thanks. We do not actually provide child care. That is one thing we do not provide, but we do try to facilitate the development of child care and provision of child care in the community. Some of the things that we do are we set up leases of kindergarten facilities to external providers. We have probably got one to two officers working quite a lot of the time on helping that child care progress and having enough places, particularly given the fact that we have also got a lot of younger families moving into the shire now, because Bass Coast is commutable to Melbourne and there is a huge demand for child care. We have run a few tenders for getting long-term leases in place for decent providers of child care. So there is a cost to us but not in terms of provider.

**The DEPUTY CHAIR:** On council land, is it?

**David FILMALTER:** Yes. Council and Crown land.

**Bev McARTHUR:** So you are providing the facilities?

**Greg BOX:** Often – and our managing registration process, for example, in kindergarten. There are a whole lot of services associated with kindergarten that we do, and early childhood generally.

**Gaelle BROAD:** We have heard from other councils about cost shifting. In some ways it has moved to 70 per cent on local council, 30 per cent funded by state government. You mentioned school crossings,

libraries, beach management, insurance. Do you have any percentages on those things? How significant has that shift been?

**Greg BOX:** I do not, to be honest. We have some specific numbers around those things in terms of a quantum, but not necessarily in terms of percentages across the board.

**Gaelle BROAD:** It would be helpful if you could provide an indication of the costs. That would be great. Thank you.

**The DEPUTY CHAIR:** Can I thank you, Bass Coast, and Greg in particular, for the evidence you have given today. We are very appreciative. There are a number of follow-up questions that I think you have taken on notice, and we certainly appreciate the assistance on those points. Thank you. We will close the hearing for 3 or 4 minutes and then begin at 11 o'clock.

**Witnesses withdrew.**